

Message Text

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E.O. 11652: GDS

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SUBJECT: EXIMBANK RESTRUCTURING OF TURKISH DEBT

REFERENCE: ANKARA 2537

1. INFORMATION BELOW REPLIES TO QUESTIONS RAISED IN
REFTEL. IT SHOULD BE CLEARLY UNDERSTOOD THAT SETTLEMENT
OF CLAIMS PAID BY EXIMBANK TO FCIA-INSURED EXPORTERS
WOULD NOT BY ITSELF PAVE WAY TO RENEWED EXIMBANK LEND-
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ING IN TURKEY. COUNTRY CONDITIONS AND OUTLOOK WOULD ALSO
HAVE TO BE SUFFICIENTLY CLARIFIED SO THAT A FINDING OF
REASONABLE ASSURANCE OF REPAYMENT, AS REQUIRED BY EXIM-
BANK LEGISLATIVE MANDATE, COULD BE MADE.

2. EXIMBANK'S PROPOSAL CONCERNING THE PAST DUE INSURED
SHORT-TERM SUPPLIER CREDITS INVOLVED A RESTRUCTURING
AND CONSOLIDATION OF THESE DEBTS RATHER THAN A RESCHEDUL-
ING PER SE, SINCE IT WOULD HAVE DISCHARGED THE NOTES

FROM THE TURKISH IMPORTERS TO THE US EXPORTERS, RATHER THAN STRETCHED OUT THEIR ORIGINAL MATURITIES. EXIMBANK'S OFFER INVOLVED A FINANCIAL GUARANTEE OF A CITIBANK LOAN TO THE CENTRAL BANK OF TURKEY, THE LATTER EITHER TO MAKE DOLLAR PAYMENTS TO THE US EXPORTERS INSURED BY FCIA OR TO REIMBURSE EXIMBANK FOR CLAIMS ALREADY PAID TO INSURED EXPORTERS. THE REPAYMENT TERM PROPOSED WAS 10 QUARTERLY

INSTALLMENTS COMMENCING DECEMBER 31, 1978, WITH FINAL MATURITY MARCH 31, 1981.

3. SUCH A TERM WAS INITIALLY SUGGESTED BY CITIBANK WHOSE REPRESENTATIVE HAD PREVIOUSLY DISCUSSED THE PROPOSAL WITH THE TURKISH CENTRAL BANK. EXIMBANK OFFICIALS ALSO DISCUSSED THIS IDEA WITH TURKISH CENTRAL BANK AND MINISTRY OF FINANCE OFFICIALS IN TURKEY IN JANUARY 1978. THE TERM WAS THOUGHT TO BE REASONABLE (EVEN GENEROUS) SINCE THE TRANSACTIONS COVERED ALL CARRIED REPAYMENT TERMS OF 180 DAYS OR LESS, AND SOME WERE EVEN CASH AGAINST DOCUMENTS.

4. EXIM HAS NOT PREVIOUSLY NEGOTIATED A SETTLEMENT FOR A COUNTRY'S SHORT-TERM DEBT ONLY. THE COMMON PRACTICE IN COUNTRY-WIDE RESCHEDULINGS HAS BEEN TO EXCLUDE DEBT

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WITH A MATURITY OF ONE-YEAR OR LESS. IN PAST DEBT SETTLEMENTS, ANY SHORT-TERM ARREARAGES HAVE BEEN TREATED IN DIFFERENT WAYS. IN A MULTILATERAL RESCHEDULING WITH INDONESIA, VARIOUS MATURITIES OF OFFICIAL OR OFFICIALLY-GUARANTEED CREDITS OF MORE THAN 180 DAYS WERE INCLUDED AS A PACKAGE AND RESCHEDULED OVER A LENGTHY 30-YEAR PERIOD. FOR EXIMBANK, HOWEVER, THE SHORT-TERM PORTION WAS JUST DLRS 1 MILLION. GHANA'S MULTILATERAL DEBT RESCHEDULING EXCLUDED SHORT-TERM DEBT; GHANA IS REPAYING EXIM AS ABLE FOR CLAIMS THE LATTER PAID TO SHORT-TERM FCIA INSUREDS. ON TWO OCCASIONS, URUGUAY DECLARED A UNILATERAL DEBT MORATORIUM AND LATER OFFERED TO REPAY ON ITS OWN TERMS. IN ONE CASE THIS WAS OVER A THREE YEAR PERIOD AND IN ANOTHER OVER FIVE YEARS WITH NO GRACE PERIODS. IN BOTH THESE CASES, SHORT-TERM DEBT WAS INVOLVED.

5. BERNE UNION REGULATIONS DO NOT ADDRESS RESCHEDULING TERMS OR RESTRUCTURING OF DEBT.

6. OPERATING CONSTRAINTS ON EXIMBANK STEM IN PART, FROM ITS NATURE AS A SELF-SUPPORTING INSTITUTION AND AN EXPORT CREDIT AGENCY, NOT A CONCESSIONARY OR DEVELOPMENT LENDING AGENCY. CONSEQUENTLY, DEBT RESCHEDULINGS MUST

BE AVOIDED WHERE POSSIBLE AND, IF NOT, THE TERMS MUST BE KEPT SHORT AND WITH INTEREST RATES THAT COVER EXIMBANK'S COST OF BORROWED FUNDS. AS A US GOVERNMENT AGENCY, EXIMBANK MUST ALSO BE GUIDED IN DEBT RESTRUCTURING BY CURRENT USG POLICY .

TREASURY ASSISTANT SECRETARY BERGSTEN TO SENATE FINANCE COMMITTEE WHICH OUTLINES THIS POLICY.

7. EXIMBANK HAS RECEIVED INFORMATION FROM SOME OF THE BERNE UNION MEMBERS ABOUT RESTRUCTURING OF TURKEY'S OVERDUE DEBT. ECGD (UK) HAD RESERVATIONS BECAUSE OF CONFIDENTIAL

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THE SIZE OF BRITISH COMMITMENTS AND DOUBTED IF THEIR ORGANIZATION HAD THE LEGAL AUTHORITY TO PUT AN ARRANGEMENT SUCH AS PROPOSED BY EXIMBANK INTO EFFECT. HERMES (GERMANY) AND COFACE (FRANCE) STATED THAT A MULTILATERAL SOLUTION IN THE FRAMEWORK OF A CREDITORS' MEETING WOULD BE THE PREFERRED APPROACH. SINCE EXIM OFFER IS STILL OPEN, IT WOULD BE INAPPROPRIATE FOR EXIM TO TAKE LEAD IN APPROACHING OTHER EXPORT CREDIT AGENCIES REGARDING OTHER POSSIBLE SETTLEMENTS OF THIS DEBT. APPROACH SHOULD BE MADE BY TURKISH OFFICIALS. CHRISTOPHER

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